

Bringing Our Vision To Life



FINANCIAL REPORT
TO CITIZENS
2012

THE CITY OF
Edmonton



**Back row
(left to right):**

Don Iveson - Ward 10
Dave Loken - Ward 3
Amarjeet Sohi - Ward 12
Bryan Anderson - Ward 9

**Middle row
(left to right):**

Tony Caterina - Ward 7
Ben Henderson - Ward 8
Mayor Stephen Mandel
Kerry Diotte - Ward 11
Ed Gibbons - Ward 4

**Front row
(left to right):**

Linda Sloan - Ward 1
Kim Krushell - Ward 2
Jane Batty - Ward 6
Karen Leibovici - Ward 5

MESSAGE FROM CITY COUNCIL

With exceptional municipal services, a vibrant arts and cultural community, engaged citizens and spectacular river valley parks and green spaces, Edmonton is thriving. Edmontonians enjoy a great public education system, tremendous post-secondary institutions led by the University of Alberta, MacEwan University, NorQuest and NAIT, as well as a variety of unique recreation, shopping, dining and family attractions. Edmonton continues to stand tall as one of Canada's most dynamic and prosperous urban centres.

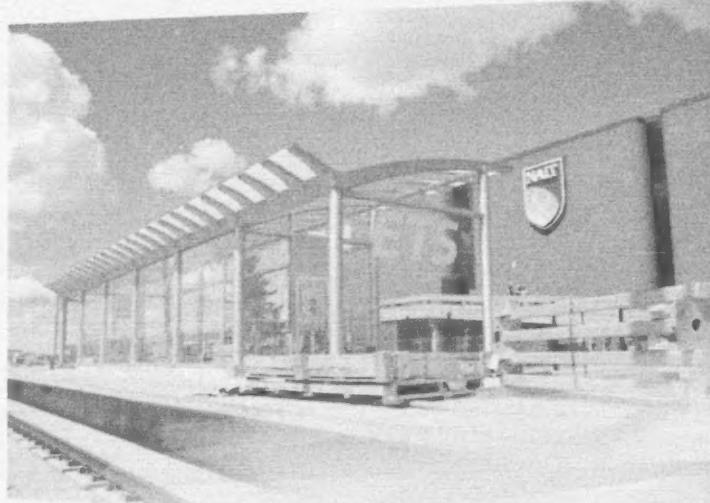
2012 was a year of tremendous growth in our city. Edmonton recorded high population growth and strong employment growth—both important indicators of a resilient and robust economy.

This past year also saw substantial progress on some of our most transformational projects. City Council worked to finalize a financial framework for a new downtown arena, continued development of The Quarters and a master plan for Blatchford, the City Centre Airport Redevelopment project, is expected to be completed in 2013.

Edmonton remains home to one of Canada's most outstanding economies. Few cities have prospects as bright as Edmonton, which stands at the geographic core of Canada's economic future and the research and industrial workhorse of the province. This positive outlook is reflected in the City of Edmonton's AA+ credit rating, one of the highest among Canadian cities. Edmonton is also ranked

by the Real Estate Investment Network as one of the best North American places to invest in. The Conference Board of Canada also consistently scores Edmonton as one of the top cities in Canada for economic prosperity.

City Council will continue to capitalize on these strengths of a robust economy, remarkable growth and a strong vision to build a city that is alive with energy, boundless opportunity, unparalleled potential and an extraordinary quality of life.



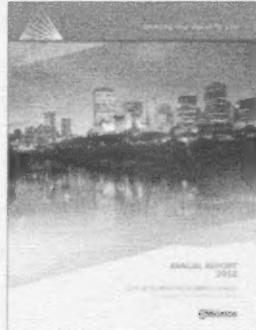
With an ambitious vision, exciting new projects and engaged citizens, Edmonton continues to make great strides in shaping itself into a city that is increasingly vibrant, innovative, inclusive and sustainable.

Throughout 2012, Edmonton saw strong economic growth, outpacing the rest of Canada and other global economies. The inflation-adjusted growth rate was 3.7% for the city and 4.4% for the Edmonton region. These results are well ahead of the overall growth rates of 1.8% and 3.4% for Canada and Alberta, respectively. While employment, incomes and population rose at very robust rates, the continuing expansion of Edmonton's manufacturing, construction and professional services sectors was the key contributor to the region's overall economic performance.

2012 FINANCIAL RESULTS

This report is intended to provide City financial highlights for fiscal 2012. Readers may also access the complete City of Edmonton Financial Annual Report for the year ended December 31, 2012 at www.edmonton.ca/

AnnualReport. Copies are also available for review at each of the public library locations throughout the City.



reduced contractor and consultant costs arising from delayed projects, partially offset by less than expected photo enforcement revenues and decreased gas franchise fees. Increased licensing and permit revenues and reduced government transfers were mostly offset by variances from budget in related expenses.

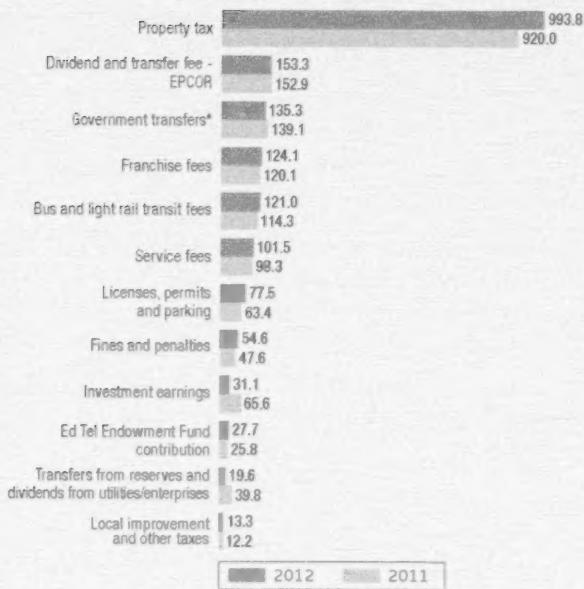


Operating Results

Edmonton is a vibrant, growing city and continues to increase services to meet the needs of an expanding population and economy, while maintaining existing services to provide the high standards Edmontonians expect. The approved operating budget for 2012 included a property tax increase of approximately 5%, with 1.5% of that increase specifically directed for neighbourhood renewal. This budget continued to build on the existing services and programs valued highly by Edmonton residents and businesses.

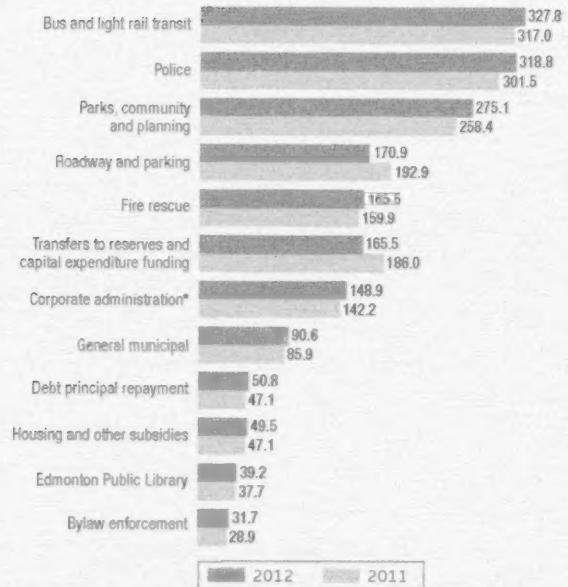
City tax-supported operations ended the year with a net surplus of \$18.4 million or 1.0% of the overall expenditure budget. This was mainly due to personnel savings and

Where the money to provide City services comes from (millions of \$)



* Government transfers include transfers in lieu of tax.

Services supported (millions of \$)



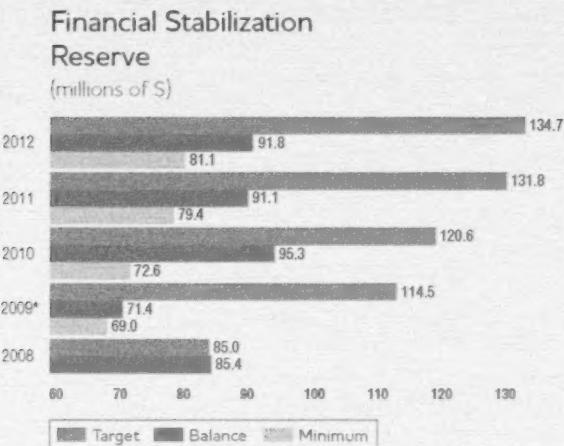
* Corporate administration includes cost of City Council and Mayor's office

Your Priorities

Edmontonians provide valuable input on priorities using a variety of channels, including comments through the city's online reporting tools, calls to 311, public consultation, contact directly with the Mayor and councillors and through the budget public hearing process. Edmontonians have said that some of their top priorities are a safe and clean city, integrated transportation system, and for Edmonton to be a leader in environmental advocacy, stewardship, preservation and conservation.



The 2012 tax-supported surplus will be transferred to the Financial Stabilization Reserve (FSR) in 2013, with \$9.4 million then applied for funding within the 2013 budget, as approved by City Council. The FSR is maintained to provide flexibility to address financial risks associated with revenue instability and unforeseen costs. The addition to the FSR will result in a balance of \$101.1 million, exceeding the minimum level, but well below the target level of one month of expenditures for tax-supported operations, as established within City policy. During the year, \$14.0 million in approved transfers were made from the FSR to fund 2012 expenditures.



* Effective beginning 2009, target balance is 8.3% and minimum balance is 5.0% of tax-supported operating expenses (net of amortization).

The Schedule of Municipal Operations on page 7 outlines the 2012 revenues and expenditures for the City's tax-supported programs and services, on a basis consistent with the approved 2012 budget. Summarized information on utility and subsidiary operations is included in the Other Financial Information table.

Consolidated financial statements, as audited by the independent firm of KPMG LLP Chartered Accountants, are included in the 2012 City of Edmonton Financial Annual Report.

Budget and actual 2012 figures are consistent with those integrated in the City's audited consolidated financial statements. However, the 2012 consolidated financial statements also include adjustments required to be consistent with Canadian public sector accounting standards, as established by the Public Sector Accounting Board.

Capital Results

2012 was the first year of the three-year 2012–2014 capital budget. The budget was approved by Council in December 2011, based on capital priorities and funding identified in the 10-year 2012–2021 Capital Investment Agenda. The level of spending in the last three years accelerated key growth projects and focused aggressively on maintaining existing infrastructure.

The 2012–2014 capital budget approves spending of \$4.3 billion for capital projects, including amounts carried forward for projects not completed by the end of 2011. Projects will replace the century-old Walterdale Bridge, reconstruct and maintain older communities through the Neighbourhood Renewal Program, complete land purchases and design work for the Southeast to West LRT, continue arterial roadwork, fund the construction

of various City facilities, and revitalize the downtown core through initiatives such as the Quarters Downtown.

Significant projects that progressed during 2012 include the North Light Rail Transit (LRT) - Downtown to NAIT, Clareview and Meadows recreation centres, mature neighbourhood rehabilitation and neighbourhood renewal, and Southeast to West LRT land purchases and preliminary design.

Capital expenditures in 2012 continue to be financed primarily through grants from other orders of government, by tax-supported debt and on a pay-as-you go basis from operating revenues, including funding for the Neighbourhood Renewal Program.

Capital additions*

(millions of \$)



* Capital additions include contributed capital assets (2012 - \$202.5).

The Neighbourhood Renewal program outlines a cost effective, long-term strategic approach to renew and rebuild roads, sidewalks and streetlights in existing neighbourhoods and collector roadways. The program balances the need to rebuild in some neighbourhoods with a preventive maintenance approach in others. It is funded through a combination of provincial grant funding, dedicated tax-levy funding and cost sharing with property owners on applicable local improvements. Edmonton is the only Canadian city to dedicate an annual property tax-levy toward the renewal and reconstruction of neighbourhood streets and sidewalks. Dedicated tax-levy funding for the program is incremented by a percentage of the annual property tax increase (2009 and 2010 – 2.0%, 2011 and 2012 – 1.5%, 2013 – 1.0%, 2014 – 1.5% (forecast)).

During 2009–2011, \$197.1 million was invested under the neighbourhood renewal program. The capital budget has approved \$355.7 million in spending for the neighbourhood renewal program from 2012 to 2014, with \$134.7 million completed in 2012.

In 2012, reconstruction and maintenance occurred in the neighbourhoods of Canora, Dovercourt, King Edward Park, Terrace Heights, Windsor Park, Ritchie and Woodcroft. Road overlay work was also performed in various other neighbourhoods during the year. During 2013, the program intends to begin work in North Glenora, Grovenor, Delton, Argyll, Hazeldean, Athlone and Rideau Park with various neighbourhoods scheduled for road overlay work.

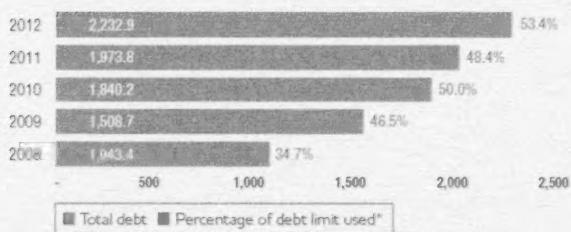


Debt

During the year, a total of \$344.3 million was added through new debenture borrowings – with \$248.6 million considered tax-supported and \$95.7 million self-liquidating. The additional tax-supported borrowing is primarily to finance recreation centres and LRT expansion. The self-liquidating debt was borrowed to finance utility infrastructure and local improvements. Interest rates have remained low and are locked in for the full term of the debentures. Further amounts of tax-supported borrowing of \$535.4 million, beyond the current levels outstanding, have been approved to complete ongoing projects or as part of the overall 2012–2014 capital budget. Although debt levels have increased along with the associated debt servicing costs, the City carries levels of debt and incurs debt servicing costs well below the limits legislated provincially for municipalities.

Debt

(millions of \$)



* Debt limit is calculated as two times consolidated revenues net of capital government transfers and developer contributed tangible capital assets

Summary

Edmonton continues to weather the global economic reality well, with steady growth, as demonstrated through the region's economy expanding at 4.4%. Credit rating agencies Standard & Poor's and DBRS each affirmed their ratings of the City of Edmonton in 2012 as AA+/Stable and AA (high) respectively. Both ratings were based on a solid economic growth outlook, a very healthy although declining liquidity and consistently sound operating performance.

The directional plans (*The Ways*) set ambitious goals for the City. Highlights include expansion of LRT, establishment of a Downtown Arena and Entertainment District, creation of City-owned Waste RE-solutions for Edmonton to market our waste management expertise nationally and internationally, development of the Quarters Downtown, redevelopment of the City Centre airport lands, construction of new multi-purpose recreation centres and continued emphasis on neighbourhood renewal. The City will continue to be challenged to manage emerging and often competing financial needs as the major centre for the region, maintaining existing services while addressing service and infrastructure needs associated with growth. The City's long-term financial plan under development, *The Way We Finance*, will outline guiding principles to ensure continued sound fiscal management and long-term financial sustainability.

SCHEDULE OF MUNICIPAL OPERATIONS (Note 1)

For the year ended December 31, 2012 (in thousands of dollars)

| Revenues | Budget 2012 | Actual 2012 | Expenditures | Budget 2012 | Actual 2012 |
|----------------------------------------------------------|---------------------|---------------------|------------------------------------------------------------------------------|---------------------|---------------------|
| Taxation: | | | | | |
| Property taxes | \$ 993,956 | \$ 993,296 | Bus and light rail transit | \$ 331,963 | \$ 327,784 |
| Community revitalization levy - Quarters | 620 | 487 | Police | 318,482 | 318,806 |
| Government transfers in lieu of tax | 32,739 | 33,157 | Roadway and parking | 176,230 | 170,927 |
| Local improvements | 9,274 | 9,095 | Fire rescue | 168,333 | 165,689 |
| Other | 2,300 | 4,235 | Parks and recreation | 167,304 | 164,042 |
| | 1,038,889 | 1,040,270 | Corporate administration (Note 2) | 146,433 | 144,370 |
| Franchise fees | 121,231 | 124,146 | General municipal (Note 3) | 97,955 | 90,645 |
| Bus and light rail transit | 120,878 | 120,991 | Planning | 67,314 | 68,410 |
| Government transfers | 112,537 | 102,168 | Housing and other subsidies (Note 4) | 63,769 | 49,522 |
| General municipal and other | 104,097 | 101,451 | Community and family | 41,739 | 42,619 |
| Licenses and permits | 52,954 | 63,581 | Edmonton Public Library | 39,154 | 39,154 |
| Fines and penalties | 64,248 | 54,631 | Bylaw enforcement | 31,415 | 31,719 |
| Investment earnings | 25,755 | 31,119 | City Council and Mayor's Office | 4,867 | 4,486 |
| Ed Tel Endowment Fund contribution | 27,712 | 27,712 | | | |
| Parking | 15,451 | 13,929 | | | |
| Municipal revenues before transfers and dividends | 1,683,752 | 1,679,998 | Municipal expenditures before transfers and debt principal repayments | 1,654,958 | 1,618,173 |
| Dividend - EPCOR | 141,021 | 141,021 | Capital expenditure funding (Note 5) | 144,760 | 137,166 |
| Transfer from reserves | 18,709 | 14,202 | Debt principal repayment | 52,913 | 50,845 |
| Gold Bar transfer fee - EPCOR | 12,250 | 12,250 | Transfer to reserves | 8,864 | 28,346 |
| Dividends - Drainage Services and Land Enterprise | 5,763 | 5,447 | | | |
| Total Municipal Revenues | \$ 1,861,495 | \$ 1,852,918 | Total Municipal Expenditures | \$ 1,861,495 | \$ 1,834,530 |
| | | | Excess of revenues over expenditures | \$ - | \$ 18,388 |

Notes to Schedule of Municipal Operations

- This summary has been prepared on a modified cash basis consistent with the budget for tax-supported operations. Financial results reflected in the audited consolidated financial statements included within the 2012 Annual Financial Report include adjustments required under Canadian public sector accounting standards.
- Corporate administration consists of personnel and administrative costs for Financial Services, Corporate Services and the Offices of the City-Manager and City Auditor.
- General municipal consists of expenditures related to facility maintenance, landscaping, capital project management, risk management, general financing, tax appeals and allowances.
- Housing and other subsidies includes subsidies paid to support public housing as well as Boards, Authorities and other organizations (excluding Edmonton Public Library, shown separately).
- Capital expenditure funding represents taxation and other municipal revenues applied to fund capital projects, including neighbourhood renewal, on a pay-as-you-go basis.

OTHER FINANCIAL INFORMATION

For the year ended December 31, 2012 (in thousands of dollars)

| | Revenues | Expenses | Net income (loss) | Contribution to municipal operations |
|-------------------------------------------------------|--------------|--------------|-------------------|--------------------------------------|
| EPCOR Utilities Inc. | \$ 1,999,263 | \$ 1,981,180 | \$ 18,083 | \$ 206,936 |
| Fleet Services (unaudited) | 176,835 | 199,071 | (22,236) | |
| Waste Management (unaudited) | 138,719 | 142,488 | (3,769) | |
| Design and Construction Drainage Services (unaudited) | 122,073 | 121,376 | 697 | |
| Sanitary Drainage Services (unaudited) | 93,900 | 70,434 | 23,466 | 8,789 |
| Land Enterprise (unaudited) | 48,664 | 25,702 | 22,962 | 3,397 |
| Edmonton Public Library Board | 46,891 | 47,122 | (231) | |
| Stormwater Drainage Services (unaudited) | 36,391 | 22,972 | 13,419 | |
| Edmonton Economic Development Corporation | 34,291 | 34,691 | (400) | |
| Ed Tel Endowment Fund (unaudited) | 26,634 | 30,525 | (3,891) | 27,712 |
| Edmonton Non-Profit Housing Corporation | 8,283 | 6,469 | 1,814 | |
| Fort Edmonton Management Company | 4,795 | 4,162 | 633 | |

The financial results provided above are consistent with those reported in the annual financial statements for the respective organizations or operations. The contribution to municipal operations reflects the amount, excluding taxation, included in the Schedule of Municipal Operations. Edmonton Public Library Board, Edmonton Economic Development Corporation and Fort Edmonton Management Company revenues include \$39,154, \$13,336, and \$2,992 in tax levy funding, respectively.

State of the City Report



Find out more about main achievements in civic operations from the past year and new initiatives that will continue transforming Edmonton into an even greater city for future generations.

Investment Committee Annual Report



Gain insight into investment fund performance and see how the City's investment assets are managed.

Information about the City of Edmonton is available at

www.edmonton.ca

Citizens can call **311**, 24-hours a day, everyday of the year for access to City of Edmonton information, programs and services.

If you have inquiries about the 2012 Financial Report to Citizens, direct them to

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